

STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY)	ORDER ADOPTING
NATURAL GAS COMPANY FOR THE ANNUAL REVIEW)	STIPULATION AND
AND REVISION OF ITS LEVELIZED GAS ADJUSTMENT)	ADDENDUM
CLAUSE FACTOR CONSISTING OF THE ANNUAL)	CLARIFYING STIPULATION
REVIEW AND REVISION OF THE GAS COST)	
RECOVERY FACTOR, THE DEMAND SIDE)	DOCKET NOS. GR99100778
MANAGEMENT ADJUSTMENT CLAUSE FACTOR,)	GR99100779
THE WEATHER NORMALIZATION CLAUSE FACTOR)	GR99100780
AND THE REMEDIATION ADJUSTMENT CLAUSE)	GR99100781
FACTOR, AND THE ANNUAL REVIEW AND REVISION)	GR01070446
OF THE WEATHER NORMALIZATION CLAUSE)	
FACTOR FOR THE 2001-2002 WINTER PERIOD)	OAL DOCKET NO. PUC 00659-00

(SERVICE LIST ATTACHED)

BY THE BOARD:

On September 30, 1999, New Jersey Natural Gas Company ("NJNG", "Petitioner", or "Company") filed a petition with the Board of Public Utilities ("Board") to decrease its Levelized Gas Adjustment Clause ("LGA") factor, including Sales and Use Tax ("SUT"), from \$0.1564 per therm to \$0.1518 per therm commencing January 1, 2000 through December 31, 2000. On July 17, 2000, the Company amended its original petition to more accurately reflect projected gas costs and to provide more flexibility in responding to future changes in the cost of natural gas. Through its amended petition, NJNG sought to increase its LGA factor, including SUT, from \$0.1564 per therm to \$0.2894 per therm, effective September 1, 2000.

NJNG's request to change its overall LGA factor was based upon its request to modify the components of its LGA, including SUT, as follows: increase its Gas Cost Recovery ("GCR") factor from \$0.1013 per therm to \$0.2491 per therm, increase its Remediation Adjustment Clause ("RA") factor from \$0.0022 per therm to \$0.0080 per therm; decrease its Transportation, Education and Implementation ("TEI") factor from \$0.0018 per therm to \$0.0000 per therm, decrease its Prior Gas Cost Adjustments ("PGCA") factor from \$0.0292 per therm to \$0.0104 per therm; and make no change in either its Demand Side Management Adjustment Clause ("DSMAC") factor of \$0.0035 per therm or its Weather Normalization Clause ("WNC") factor of \$0.0184 per therm.

On January 31, 2000, the Board transmitted NJNG's filing to the Office of Administrative Law ("OAL") for hearing as a contested case. A public hearing was held on the amended petition before Administrative Law Judge ("ALJ") Louis G. McAfoos, III, in Freehold Township, New Jersey on August 22, 2000.

On October 3, 2000, NJNG filed an Emergent Motion with the Board seeking immediate and emergent provisional rate relief pursuant to N.J.S.A. 48:2-21.1 and N.J.A.C. 1:1-12.6(b). NJNG requested that the Board authorize an immediate increase in the Company's natural gas rates and approve its proposed modifications to its existing Flexible Pricing Mechanism ("FPM"), as proposed by the Company in its amended LGA petition. Specifically, the Company asked the Board to approve a provisional increase of approximately 16% to a typical residential customer, which increase would be subject to refund with interest should the Board determine after further proceedings that a refund is appropriate.

On October 4, 2000, the Secretary of the Board sent a letter to the Ratepayer Advocate with copies to the parties in this proceeding, as well as the parties to the LGA proceedings of the three other gas utilities, advising them that the Board had received emergent motions for provisional rate relief from all four New Jersey gas public utilities ("gas utilities"). The letter requested that responses to the motions be filed with the Board before the close of business on Friday, October 6, 2000.

On October 5, 2000, the Ratepayer Advocate filed a generic, two-part letter Answer to the Company's emergent motion as well as to the emergent motions filed by the three other gas utilities. This was the only response to the emergent motions received by the Board. The Ratepayer Advocate's Answer was supplemented on October 6, 2000, by a certification from the Ratepayer Advocate's consultant, Mr. Richard LeLash.

By Order dated November 1, 2000 ("November 2000 Order"), the Board recalled two issues from NJNG's filing from the OAL, namely: (1) the level of rates necessary for NJNG to recover its prudently incurred gas costs; and (2) NJNG's FPM proposal. The Board approved, on a provisional basis, subject to refund and interest, an increase in NJNG's GCR component of its LGA billing factor. The Board also approved the continued use of NJNG's FPM during the 2000-2001 winter heating season, subject to several parameters that were set forth in the Order and subject to further Board decision following hearings to be held before the Board during January 2001, addressing the two issues recalled from the OAL.

By Orders issued January 31 and March 1, 2001, the Board further authorized NJNG to implement provisional FPM rate increases for the months of February and March 2001, respectively. In addition, a public hearing on the Company's proposed FPM increases was held in Freehold, New Jersey on January 24, 2001.

By Order dated March 30, 2001 ("March 2001 Order"), the Board found that it was both reasonable and necessary to set the Company's 2000-2001 GCR component of its LGA billing factor at the rates set out in the November 2000 Order and to continue the controlled monthly FPM increases (or, if applicable, decreases) through July 2001. The Board further ordered the establishment of a Gas Cost Underrecovery Adjustment ("GCUA") surcharge to be collected over three years, commencing December 1, 2001.

On July 26, 2001, the Company filed a request to modify its WNC mechanism, Docket No. GR01070446.

By Order dated April 4, 2002, in Docket Nos. EX990040242 and GR00080551, ("CEP Order") the Board ordered NJNG to implement its Consumer Education Programs ("CEP") surcharge at the rate of \$0.0014 per therm effective on and after the date of the Company's next Board approved rate change.

In June 2002, the parties to these matters, namely the Company, the Ratepayer Advocate and Board Staff entered into a Stipulation on the remaining issues in NJNG's 1999 LGA and related clause filings as well as to the Company's July 2001 WNC filing. The following are the salient provisions of the Stipulation:

1. Modification to Components of the LGA Factor – The TEI factor of \$0.0018 per therm after tax shall be eliminated due to the Board's authorization in other proceedings of alternative recovery mechanisms for similar costs, including the Board's approval of a Transportation Initiation Clause ("TIC") and the CEP. Any under/overrecovery existing at the time the factor is eliminated shall be removed from rates and moved to one of the alternative recovery mechanisms. The CEP factor of \$0.0014 that was approved by the CEP Order shall be implemented simultaneously with the elimination of the TEI factor.
2. Unchanged Components of the LGA Factor – The following after tax, per therm billing factors shall remain in effect until changed by further order of the Board:
 - a) Comprehensive Resource Analysis ("CRA") factor of \$0.0035 (formerly DSMAC);
 - b) WNC factor of \$0.0184; and
 - c) RA factor of \$0.0022.
3. Weather Normalization Clause – The Company's WNC factor adjusts for the difference between normal weather and actual weather during the preceding winter period. The presently approved WNC mechanism allows the Company to adjust the actual weather data for seventy-five (75) percent of a temperature inconsistency associated with a change in the temperature recording equipment. Since the normal data is based upon Normal Calendar Month Degree Days ("NCMDD") from a rolling 20-year average period, the 20-year period now includes some years of data after the temperature recording equipment was changed. To account for this, the parties agree that this adjustment needs to be modified. The proposed modification to the adjustment will initially result in a seventy-two (72) percent adjustment applicable to the 2001-2002 Winter Period. Each year thereafter, the percentage adjustment will be reduced in a similar manner until it is eventually phased out.
4. Remediation Adjustment Clause – Review and reconciliation of the 1998-1999 RA filing have not yet been completed. Issues relating to NJNG's RA factor shall be addressed in the Company's RA filing for the remediation year ended June 30, 2001.
5. Firm Pipeline Capacity - The Company has the right to add firm pipeline capacity and to seek the recovery of the cost of such capacity. However, the Stipulation does not purport to address the reasonableness or prudence of NJNG's acquiring the capacity at issue nor is the Board being asked to reach any findings or conclusions with respect to the reasonableness or prudence of the Company's acquiring such capacity at this time.
6. Prior Gas Cost Adjustment Interest – All issues related to the interest collected by the Company through the PGCA shall be addressed in the Company's ongoing LGA proceeding, Docket No. GR01110765.

ALJ Richard Wells was assigned this matter following the resignation of ALJ McAfoos in October 2001. On August 1, 2002, ALJ Richard Wells issued his Initial Decision which approved the Stipulation. The ALJ found that:

1. The parties have voluntarily agreed to the settlement, and
2. The settlement fully disposes of all issues in controversy and is consistent with the law.

On October 17, 2002, the parties filed an Addendum Clarifying the Stipulation. The following are the salient features of the Addendum:

1. The TEI balance, as of the date of the Board Order adopting the Stipulation, will be transferred to the CEP mechanism in order to offset the current CEP underrecovery, and the remaining balance, if any, will be used to offset the existing underrecovered TIC balance.
2. In light of the decrease in CEP activities, the newly established CEP surcharge will initially be set at \$0.0000 per therm to avoid creating an overrecovery in that mechanism.

DISCUSSION AND FINDINGS

The Board has reviewed the record in this matter, the Initial Decision, the Stipulation, and the Addendum Clarifying Stipulation. Adoption of the Stipulation as clarified by the Addendum would appropriately eliminate the TEI factor, and would improve the Weather Normalization Clause. In addition, it would benefit residential customers by using the overrecovered TEI balance to offset the underrecovered CEP balance and reduce the TIC balance. This offset, combined with a decrease in CEP activities will reduce, and possibly eliminate, NJNG's underrecovered CEP balance without increasing rates.

Based upon the foregoing, the Board HEREBY FINDS the Stipulation as amended by the Addendum Clarifying Stipulation to be in the public interest. Accordingly, the Board HEREBY ADOPTS the Initial Decision approving Stipulation as modified by the Addendum Clarifying the Stipulation. The Board HEREBY INCORPORATES the terms and conditions of the Stipulation as modified by the Addendum Clarifying the Stipulation as if fully set forth herein. The Board HEREBY ORDERS the Company to eliminate its TEI factor of \$0.0018 per therm and to implement its CEP rate of \$0.0000 per therm.

The Board HEREBY ORDERS the Company to file tariff pages that conform to the terms and conditions of this Order within ten (10) business days from the date of this Order.

Further, the Board HEREBY ORDERS the Company to file a report within thirty (30) days from the date of this Order that contains the over/underrecovered balances for the TEI, CEP, and TIC mechanisms as of the date of this Order prior to and after the transfer of the TEI balance. In the event that the TEI overrecovered balance is greater than the CEP and TIC underrecovered balances combined, the parties shall address this issue and how the remaining balance shall be utilized to benefit customers in the ongoing LGA proceeding, Docket No. GR01110765.

The Company's gas costs, as well as its CRA, WNC, RA, TEI, CEP, and TIC costs, will remain subject to audit by the Board of Public Utilities. This Decision and Order shall not preclude nor prohibit the Board from taking any such actions deemed to be appropriate as a result of any such audit.

DATED: October 31, 2002

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)
JEANNE M. FOX
PRESIDENT

(SIGNED)
FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)
CAROL J. MURPHY
COMMISSIONER

(SIGNED)
CONNIE O. HUGHES
COMMISSIONER

(SIGNED)
JACK ALTER
ACTING COMMISSSIONER

ATTEST:

(SIGNED)
KRISTI IZZO
SECRETARY